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Variability and Growth in Minimum Support Price in India

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ABSTRACT

The minimum support price scheme/ policy is a financial assistance for protection the interest of farmers in India. The cost of agriculture production is utilized by the commission of agriculture costs and prices for deciding the amount of minimum support price in India. The extent of variability and growth in MSP has been calculated in the study. The variability of MSP all selected crops was highest in case of de husked coconut while lowest in case of moong. In conclusion some crops MSP growth and variability is consistent whereas others volatile.

INTRODUCTION

The minimum support price scheme/ policy is a financial assistance for protection the interest of farmers in India. The cost of agriculture production is utilized by the commission of agriculture costs and prices for deciding the amount of minimum support price in India. The commission of agriculture costs and prices recommends three definitions of agriculture production cost i.e. the expenses paid out for cultivation in cash and other kinds on seeds, composts, insecticides, hired labour and other resources from externals (A2); imputed price of free/unpaid family members labour (FL). The rent payment, owned land rent, immovable capital properties (C2) =A2+FL (C2), (Raya Das, 2020). According to National Commission of farmers (NCF) recommended the administration to fix the Minimum support price at 50 percent over the C2, while the cabinet suggested that the Minimum support price be fixed at 50 percent over A2+FL (Raya Das, 2020).

Some studies suggested that MSP is based on cost of cultivation; it does not provide profit (Shankar, 2009; Raya Das, 2020). The cost of cultivation varies by nature of soil, moisture, irrigation facility, land size, availability of inputs, farmers demographic profile etc. The NITI Aayog recommended the Price Deficiency Procurement Scheme, PPSS (Private Procurement and Stockist Scheme), Market Assurance Scheme in 2018 for assure the MSP at state level in India. The Price Deficiency Procurement Scheme works for farmers to reimburse them whether public procurement agencies (PPA) purchase the yield underneath the Minimum Support Price, yet none of the above said models openly addresses the divergence in valuesrealized at provincial level by operational holdings (Raya Das, 2020).

Growers' ability of selling their harvest at MSP (Minimum Support Price) had adversely affected all Districts in India during Covid-19; meanwhile extensive efforts had been taken by authorities for the procurement of food grains. Out of 25 states, a few sates remained adversely affected; Rajasthan (67% adverse impacts), Maharashtra (59%) and West Bengal (59%) (NABARD August, 2020).

Objective of the Study

The present work focuses on variation and growth in the value of MSP in India.

RESEARCH METHODOLOGY

The present research deals with the farmers who contribute Kharif, Rabi Crops and other crops for satisfying the demand of India's population as well as rest of the world. The statistical data of MSP has been acquired from circulated via Directorate of Economics and Statistics (Ministry of Agriculture and Farmers Welfare).The statistics of MSP has been analysed for a period of 4 years. The compound annual growth rate (CAGR) and annual growth rate has been calculated with the help of Microsoft excel-2007.

***CAGR (Compound Annual Growth Rate*):**

$$= ((FV/ PV) \wedge (1/t))-1$$

F.V= Future price, P.V= Present price, t = time period

Extent of variability in MSP

The extent of variability in Minimum Support Price in Kharif, Rabi and Other crops has been calculated by Standard Deviation and Mean from the following formula:

$$C.V. = \frac{S.D.}{Mean} \times 100$$

Significance of the study:

The post pandemic economic crisis due to spiked inflation and unavailability of migrant worker and shortage of inputs (seeds, fertilizers, pesticides etc.) in rural had break the back of farmers' in India. The present work analyse the financial assistance/ financial support given to farmers in form of MSP in pre, during and post covid-19 pandemic in India. This will also helpful for policy makers to rethink about existing structure of MSP.

RESULTS AND DISCUSSION

The maximum growth rate of MSP has been observed in copra ball (28%) followed by De-husked coconut (26.70%), Soyabeen (9.10%), Ragi (8.70%), lentil (7.30%) in first phase of the study 2018-20 while minimum has been found in moong and nigerseed (1.10%). The other crops (Kharif, Rabi and other crops) growth rate in the same period was between maximum and minimum. The maximum growth rate has been evaluated in rapeseed and mustard and toria (9%) followed by masur (8%), jute and sesamum (7%) in second phase of the study, whereas minimum growth in MSP has been found in moong and maize (1%). The first phase maximum growth rate in MSP of some crops was significantly high in percentage as compare to overall changed growth rate in second phase. The growth rate of MSP is not consistent in both phases if it increases in the first phase, then it is decreases in the second phase. The minimum growth rate of MSP has been observed in moong followed by long staple cotton. The CAGR of MSP of study period has been observed maximum in de-husked coconut (8.4%) followed by copra milling & ball (8.3% & 8.10%), masur (5.3%) and jute (5%) whereas minimum growth rate has been revealed in moong (1.10%) followed by wheat (2.30%) and maize (2.40%).

Variability in MSP of various crops:

The variability in MSP of various crops has been evaluated for a period of 4 years from 2018-19 to 2021-22. It can be occurred from the table that highest variability has been found in case of De-Husked coconut (14%) followed by copra milling and ball (13%), masur (9%) and toria, rapeseed & mustard and nigerseed (8%). The minimum variability has been observed in case of moong (2%), paddy, maize, sunflower and wheat (4%). The maximum variability of MSP is found in De-husked coconut while minimum variability is in moong.

CONCLUSION AND SUGGESTIONS

The findings emerged from the present work shown that growth rates of De-Husked coconut, copra milling and soyabeen were significantly high in overall study period. The compound growth rate of MSP was maximum in de-husked coconut (8.4%) whereas minimum growth rate has been revealed in moong (1.10%). The same results were found in case of variability of all selected crops; the variability was highest in case of de husked coconut while lowest in case of moong. It is concluded that some crops MSP growth and variability is consistent whereas others volatile.

Keeping the result in view, following recommendations may be given for the enhancement in the formulation of minimum support price policy and its implementation:

1) The commission should expand its focus on some major crops like moong and maize and paddy.
2) Effective policy of price for increase in production of some major crops, those have global demand.
3) Sincere efforts essential to be made to educate and persuade the growers for acceptance of present price practices.

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WORKING NOTE:

1) MSP announced by Ministry of Agriculture and Farmers Welfare

Sr.no.	**Commodity**	**Variety**	**Years**			
A	**Kharif crops**		**2018-19 Rs.**	**2019-20 Rs.**	**2020-21 Rs.**	**2021-22 Rs.**
1	Paddy	Common	1750	1815	1868	1940
		Grade A	1770	1835	1888	1960
2	Jowar	Hybrid	2430	2550	2620	2738

		Maldandi	2450	2570	2640	2758
3	Bajra		1950	2000	2150	2250
4	Ragi		2897	3150	3295	3377
5	Maize		1700	1760	1850	1870
6	Tur (Arhar)		5675	5800	6000	6300
7	Moong		6975	7050	7196	7275
8	Urad		5600	5700	6000	6300
9	Groundnut		4890	5090	5275	5550
10	Sunflower seed		5388	5650	5885	6015
11	Soyabeen		3399	3710	3880	3950
12	Sesamum		6249	6485	6855	7307
13	Nigerseed		5877	5940	6695	6930
14	Cotton	Medium Staple	5150	5255	5515	5726
		Long Staple	5450	5550	5825	6025
B	**Rabi Crops**					
1	Wheat		1840	1925	1975	2015
2	Barley		1440	1525	1600	1635
3	Gram		4620	4875	5100	5230
4	Masur (Lentil)		4475	4800	5100	5500
5	Rapeseed and mustard		4200	4425	4650	5050
6	Safflower		4945	5215	5327	5441
7	Toria		4190	4425	4650	5050
C	**Other crops**					
1	Copra	Milling	7511	9521	9960	10335
		Ball	7750	9920	10300	10600
2	De-Husked coconut		2030	2571	2700	2800
3	Jute		3700	3950	4225	4500

Source: www.agricoop.nic.in / Department of Agriculture and farmers Welfare

2) Computed value of Growth rate and Compound annual growth rate

Sr. no.	Commodity	Variety	Growth rate of 2018-19 & 2019-20	Growth rate of 2020-21 & 2021-22	CAGR (Compound Annual growth rate 2018-2022)
A	**Kharif crops**				
1	Paddy	Common	3.70%	4%	2.60%
		Grade A	3.70%	4%	2.60%
2	Jowar	Hybrid	4.90%	5%	3.00%
		Maldani	4.90%	4%	3.00%
3	Bajra		2.60%	5%	3.60%

4	Ragi		8.70%	2%	3.90%
5	Maize		3.50%	1%	2.40%
6	Tur (Arhar)		2.20%	5%	2.60%
7	Moong		1.10%	1%	1.10%
8	Urad		1.80%	5%	3.00%
9	Groundnut		4.10%	5%	3.20%
10	Sunflower seed		4.90%	2%	2.80%
11	Soyabeen		9.10%	2%	3.80%
12	Sesamum		3.80%	7%	4.00%
13	Nigerseed		1.10%	4%	4.20%
14	Cotton	Medium Staple	2.00%	4%	2.70%
		Long Staple	1.80%	3%	2.50%
B	**Rabi Crops**				
1	Wheat		4.60%	2%	2.30%
2	Barley		5.90%	2%	3.20%
3	Gram		5.50%	3%	3.10%
4	Masur (Lentil)		7.30%	8%	5.30%
5	Rapeseed and mustard		5.40%	9%	4.70%
6	Safflower		5.50%	2%	2.40%
7	Toria		5.60%	9%	4.80%
C	**Other Crops**				
1	Copra	Milling	26.80%	4%	8.30%
		Ball	28.00%	3%	8.10%
2	De-Husked coconut		26.70%	4%	8.40%
3	Jute		6.80%	7%	5.00%

Source: Computed Values of table 1

3) Computed value of variability in MSP from 2018-19 to 2021-22

Sr.no.	**Commodity**	**Variety**	**Extent of Variability**			
A	**Kharif crops**		**Mean**	**Standard Deviation**	**Variance**	**C.V**
1	Paddy	Common	1843.25	80.55	6489	4%
		Grade A	1863.25	80.55	6489	4%
2	Jowar	Hybrid	2584.50	128.95	16628	5%
		Maldani	2604.50	128.95	16628	5%
3	Bajra		2087.50	137.69	18958	7%
4	Ragi		3179.75	210.57	44341	7%
5	Maize		1795.00	79.37	6300	4%
6	Tur (Arhar)		5943.75	272.62	74323	5%
7	Moong		7124.00	136.21	18554	2%
8	Urad		5900.00	316.23	100000	5%

9	Groundnut		5201.25	280.67	78773	5%
10	Sunflower seed		5734.50	276.00	76178	5%
11	Soyabeen		3734.75	245.47	60257	7%
12	Sesamum		6724.00	461.81	213265	7%
13	Nigerseed		6360.50	531.29	282271	8%
14	Cotton	Medium Staple	5411.50	259.81	67499	5%
		Long Staple	5712.50	261.80	68542	5%
B	**Rabi Crops**					
1	Wheat		1938.75	75.43	5690	4%
2	Barley		1550.00	86.51	7483	6%
3	Gram		4956.25	267.87	71756	5%
4	Masur (Lentil)		4968.75	436.55	190573	9%
5	Rapeseed and mustard		4581.25	362.50	131406	8%
6	Safflower		5232.00	212.42	45121	4%
7	Toria		4578.75	366.02	133973	8%
C	**Other Crops**					13%
1	Copra	Milling	9331.75	1258.59	1584052	
		Ball	9642.50	1291.98	1669225	13%
2	De-Husked coconut		2525.25	343.22	117797	14%
3	Jute		4093.75	345.43	119323	8%

Source: Computed Vales of table 1